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SUBJECT: Labor Conditions in the Pearl River Delta (Part 2 of 3):
The Government's (Limited) Role

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ACCORDINGLY.

Ref: A) Guangzhou 32421; B) Beijing 22277

11. (SBU) SUMMARY: Provincial and municipal authorities both inside and outside of Guangdong Province have enacted protective measures such as labor rights training, vocational training, higher minimum wages, labor inspections, and the blacklisting of malfeasant companies to deal with labor violations in the Pearl River Delta (PRD). The number of labor-related government programs seems impressive but accurate data is lacking to gauge them effectively. In addition, Guangdong has seen few successful prosecutions of labor violators. This is the second of three cables on labor conditions in the PRD. END SUMMARY.

Background

12. (U) The Pearl River Delta has been called "the shop floor of the world," because of the number of factories in the region. This cable, the second of three on the labor situation in Guangdong Province's Pearl River Delta (PRD), focuses on government (provincial and municipal) policies and programs designed to improve the situation. The problem of migrant workers extends to broader issues besides labor violations, including education, health and social welfare. Additionally, there are a number of on-going national-level initiatives (unionization and a new contract labor law), as well as programs run by the All China Federation of Trade Unions and the Guangdong Labor Bureau that provide labor rights training programs and legal aid centers in many cities. Guangzhou, for example, has four such centers.

The "Six Haves" and Successes in 2006

13. (U) The Guangdong Labor Bureau began a program in 2006 to provide "six haves" for its migrant workers: on-the-job training, labor contracts, wage guarantees, medical insurance, channels to uphold labor rights, and improvement in living conditions. In November and December two different central government inspection

teams, including one led by Minister of Labor and Social Security Tian Chengping, visited a number of PRD cities to examine labor standards. Guangdong officials reportedly told Tian that Guangdong's successes in the past year included:

-- helping 25,979 families to find jobs; providing vocational training to one million rural youth;

-- providing health insurance to 8.64 million migrant workers and work injury insurance to 10.87 million as of September of this year; and

-- research on establishing a new grassroots-level labor relations system.

14. (U) In early 2006, the South China Morning Post reported that Shenzhen has become the first city to adopt a medical insurance system for migrant workers. The system will cover about 80 percent of outpatient service costs and 60 percent of in-hospital fees for approximately three million migrant workers. Workers will be required to pay only four RMB (USD 0.50) per month, while their employers will have to contribute double that amount.

Help from Other Provinces

15. (U) A number of Chinese provinces have representational offices in the PRD (and in other major Chinese cities), which provide services for migrant workers from their respective province. Recently Congenoff met with the Henan General Affairs Office in Guangzhou, which supports approximately three million Henan residents living in Guangdong. The office has a staff of 20 in Guangzhou and 10 in Shenzhen. It provides Henan residences monthly

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training in technical skills (for example, garment manufacturing skills); helps workers earn labor certificates (necessary to work in certain factories) and provides free legal assistance (if the worker qualifies) from 100 available lawyers throughout the PRD. The Henan office publicizes its programs through the Labor Department's websites.

Minimum Wage Increase

16. (U) The minimum wage of many PRD cities increased on September 11. Shenzhen increased its wages to RMB 810 (USD 101.25), Guangzhou to RMB 780 (USD 97.50), and Dongguan, Zhuhai, Foshan and Zhongshan to RMB 690 (USD 86.25). The average increase across the province was 17.8 percent - the highest to date. The increases were reportedly an attempt to draw more migrant workers to Guangdong, which may be experiencing a labor shortage. In comparison, the minimum wage in Shanghai is only RMB 690 (USD 86.25) and in Beijing RMB 640 (USD 80). Since 2001, Foshan has increased its wages by 97.1 percent, Dongguan 72.5 percent and Shenzhen 41 percent. Minimum wages legally apply to work completed in normal work time (maximum of 168 hours per month).

Labor Inspections, Wage Default and Punishment

17. (U) PRD Labor Bureaus also conduct random inspections throughout the year, in search of labor violations. Guangzhou Labor Bureau Director Cui Renquan recently told Congenoff of multiple campaigns conducted since May 2006, including: inspections focusing on labor contracts (May), general inspections (July) and migrant worker wages (October). Cui told Congenoff that in July and August alone, labor inspectors visited 11,000 companies that employ over 29,000 workers, but found only eight labor violations. However, Cui admitted that the Labor Bureau only inspects registered companies and that the Bureau cannot collect accurate data on unregistered migrant workers. Cui noted that Provincial regulations require companies to report migrant worker numbers to the Labor Department. A Guangzhou Academy of Social Science professor, however, recently said that Guangzhou's Labor Department is seriously understaffed and was planning to hire 100 new inspectors to ease the burden.

¶18. (U) In June, the Guangdong Labor Bureau "blacklisted" 30 enterprises (including five Hong Kong-invested and one Taiwan-invested) on its website because of massive wage arrears to their workers. Among the 30 companies, a total of 8,000 workers (an average of 277 workers per factory) failed to receive a total of 20 million yuan (USD 2.5 million) in wages owed them. Zhang Xiang, Guangdong Labor Bureau spokesperson, said that the actual number of wage defaulters was much larger than 30, but these enterprises were singled out "because they refused to mend their ways after repeated education, warnings or even heavy punishments." The website lists the companies' names, addresses, financial backings and labor violations.

¶19. (U) While the blacklistings are potentially effective in shaming companies, such measures lack legal strength. Currently some lawmakers in Shenzhen are proposing to criminalize "willful wage default." In fact, a search of local media sources found only one example, from early 2006, of criminal detainment - eight Shenzhen individuals were arrested for wage arrears of 1,200 employees. In all other examples, companies were simply fined or, in the case of child labor, the children were taken away from the factory.

Comment: Many Programs but Few Results

¶10. (SBU) During meetings, labor officials described numerous on-going programs to improve worker's rights or welfare. Despite these efforts, labor violations continue unabated. The government's solution to the problem tends to be to create more government-run programs, often ineffective, or government-led NGOs. Many of these government initiatives (e.g. universal unionization and the new Contract Labor Law), which fall under the rubric of a "Harmonious Society," are more motivated by securing government power than

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improving labor conditions (ref B).

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